

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 326 – HB 369

April 16, 2012

SUMMARY OF AMENDMENT (016677): Deletes all language after the enacting clause. Requires Tennessee to join a health care compact with other states to retain regulatory authority over health care in member states. Requires member states to seek the consent of Congress to this compact. Consent would authorize states to enact laws that supersede all federal laws regarding health care within member states. Permits member states to receive federal funding for health care, unconditioned on any action or policy by the member states. The funding would be based on the actual federal spending on health care in the member state during federal fiscal year 2010, adjusted for population changes in the state and inflation. Creates an Interstate Advisory Health Care Commission empowered to study health care regulatory issues and to make nonbinding recommendations to the legislatures of the member states. Prohibits the Commission from taking any actions within a member state that contravene any laws of that state. Requires the Commission to be funded by the member states, as agreed to by the member states.

Prohibits: any state or federal funds from being expended to participate in the Commission; any federal funds from being expended pursuant to this part; federal administration and regulation of health care in Tennessee to cease; and any liability for administrative and operational costs of the compact or Commission to accrue from the effective date of this act until the following conditions are satisfied: Congress consents to state regulatory autonomy over health care; the General Assembly enacts by law a sufficient administrative framework to provide effective and efficient state administration and regulation over health care; and a specific appropriation for participation in the Commission, including but not limited to any administrative or operational costs of the compact or the Commission, and recognition of any federal funding is included in the annual appropriations act for any fiscal year beginning on July 1 subsequent to the above conditions being satisfied.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$52,000/FY13-14 and Subsequent Years

Increase Federal Expenditures - \$1,232,742,500/FY13-14 and Subsequent Years

Other Fiscal Impact – Beginning in FY13-14, the state will take over the administration of and benefits provided through the Medicare program reflecting a total shift to Tennessee of approximately \$11,505,596,700 in federal funds. Of this amount, \$10,272,854,200 is for services currently provided to Tennessee citizens and \$1,232,742,500 is for administrative costs currently incurred by the federal

government that will be redirected to Tennessee for administrative purposes (shown as Increased Federal Expenditures above). This shift will not change the total amount of federal funds being spent on the program. The total amount of services and covered benefits that enrollees are receiving will remain unchanged. The program will remain 100 percent federally funded.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions applied to amendment:

- The effective date of the Compact is the latter of the date it is adopted by the member state or the date the Compact receives the consent of Congress after at least two states have adopted the Compact.
- The bill requires federal and state law regarding health care to remain in effect unless a member state expressly invokes its authority under the compact. Member states would receive federal funds at a level adequate to cover the current federal expenditures on health care in each state, adjusted for population growth and inflation.
- No state or federal funds will be expended as a result of this bill until the conditions of this bill are met, including a subsequent legislative action by the General Assembly to enact, by law, a sufficient administrative framework to provide effective and efficient state administration and regulation over health care; a specific appropriation for participation in the Commission, including but not limited to any administrative or operational costs of the compact or the Commission; and recognition of any federal funding is included in the annual appropriations act for any fiscal year beginning on July 1 subsequent to the conditions of this bill being satisfied.
- Any fiscal impact associated with the compact or the Commission will begin after the passage of subsequent legislation and will be attributable to such legislation.
- Any member state may withdraw from the health care compact by adopting a law to that effect, provided that six months has passed after the Governor of the withdrawing member state has given notice of the withdrawal to the other member states.
- A withdrawing member state will be held liable for any obligations incurred prior to the effective date of the withdrawal.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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